

**Developing and Implementing Global Branding Strategies  
for Kirin Group**

by

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B.A. in Social Psychology, University of Tokyo, Japan, 1994

Submitted to the MIT Sloan School of Management  
in Partial Fulfillment of the Requirements for the Degree of

**Master of Business Administration**

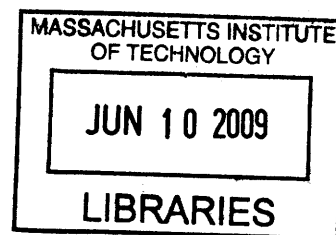
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### **ABSTRACT**

The recent surge in the globalization of markets in various industries has brought global brands to the attention of consumers worldwide. Just as information connects consumers across geographical borders in seconds, globalization is a common stream among many industries, which leads consumers to consume locally but their purchasing decisions involve more global opportunities.

The Japanese alcohol industry is changing so rapidly that alcoholic beverage companies must expand beyond the domestic market and seek new opportunities in global markets in order to achieve sustainable growth. There are several key reasons for this dramatic change in the alcoholic beverage market in Japan: declining birth rate and population, a totally saturated beer market, and diversification in younger consumers' preferences for alcoholic beverages.

Faced with this situation, it is clear that my employer, Kirin needs to expand its focus from the beer business to a broader-based beverage business while also seeking opportunities to expand its business base in new markets.

In this thesis, I will explore the key factors of branding in the growth strategies of firms that compete internationally. Starting from the concept and defining the importance of global brands, I will look into the successful brands and companies that manage their brands globally. By identifying essential commonalities through my research and study, I will focus on key factors that Kirin Group will need in order to develop and implement its own global branding strategies.

Through my research of successful global brands and firms, I found that building a strong brand in global markets can lead a firm to a stronger competitive position in the world, but this requires essential skills and organizational challenges. The thesis concludes with a discussions of key strategies that can be adopted by Kirin for building its global brands.

Thesis Supervisor: John R. Hauser  
Title: Kirin Professor of Marketing



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Tamaki Sano  
Cambridge, Massachusetts  
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**CHAPTER****1****Introduction**

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**Purpose of the Thesis**

The recent surge in the globalization of markets in various industries has brought global brands to the attention of consumer worldwide. My interest in global branding is two-fold: my professional background, in which I help develop brands in new countries; and my personal interest in the surprising number of available brands wherever I travel. Just as information connects consumers across geographical borders in seconds, globalization is a common stream among many industries, which leads consumer to consume locally but their purchasing decisions involve more global opportunities.

One of the most notable challenges for manufacturers today is the increasingly sophisticated tastes and preferences among consumers combined with far greater purchasing power. Consumers are highly market-savvy with greater expectations not only in terms of quality and service, but also honesty and transparency in how firms run their business. Global brands now face consumers who are willing and able to judge brands based on a wide range of criteria, and their decisions can very quickly influence a brand in seconds via online communities.

The Japanese alcohol industry in which I work changing so rapidly that alcoholic beverage companies must expand beyond the domestic market and seek new opportunities

in global markets in order to achieve sustainable growth. There are several key reasons for this dramatic change in the alcoholic beverage market in Japan:

- a declining birth rate and population, which have serious impacts on future market growth
- a totally saturated beer market, and
- diversification in younger consumers' preferences toward alcohol.

Faced with this situation, it is clear that Kirin needs to expand its focus from the beer business to a comprehensive beverage business while also seeking opportunities to expand its business base in new markets.

There are many new multinational firms in the alcoholic beverages and soft drink industries. There is also a global trend toward concentration as local and regional firms enter into multiple international mergers and acquisitions to become even large multinationals. This has occurred not only among single categories but also across categories such as food, soft drinks, and alcohol. This was especially true in the alcohol industry, where production and consumption remained country- and culture-specific until the 1960s. The residents in each country consumed predominantly domestically produced products. The move toward multinational growth within the alcohol and soft drink industries highlights the role of brands in the evolution of firms and industries.

The focus of this thesis is on developing an understanding of the key factors of branding in the growth strategies of firms that compete internationally. A firm's brand can affect it in many ways: enhance total turnover, bulk up financial statements, and cause changes in organizational structures. Brands allow firms to take advantage of premium prices, obtain efficiencies in distribution, and accumulate marketing knowledge. These

intangible assets have become so essential that there have been major changes in accounting practices by firms that now include the value of their brands in annual balance sheets. Thus, building a strong brand in global markets can lead a firm to a stronger competitive position in the world.

Brands are considered to be the most important determinant in the growth of firms. To a great extent, brands explain the evolution of industry structures and market preferences. The role of brands is even more striking when one considers the number of instances where firms have disappeared but their brands have survived via multiple ownerships, sometimes going on to enjoy lengthy market lives. Moreover, brands can now be consumed across countries simultaneously in today's highly synchronized world.

Beginning with a study of the literature and past case studies, and moving into comparative studies of successful global brands, I will develop a framework for examining the various requirements needed to build Kirin's brand into a global presence in the future.

# CHAPTER 2

## **Global Brands, Firms, and Diversification**

---

In this chapter, I will explore the basic concepts of global brands, firms that own global brands, and the diversification strategies of the firms. This analysis will shed light on essential points for firms to consider regarding global brands.

The value of a brand is recognized well beyond geographic borders and cultures. With a global brand, loyal consumers can find familiar and dependable products no matter where they are geographically. Finding a known brand also confirms the authenticity of the customer's choice.

Firms that own a global brand (or brands) are able to expand their business into international markets, which ultimately leads to further recognition as a multinational company. A global brand is a highly important asset for any firm, and a major factor for increasing the company's value. To build a strong global brand, a firm needs to have a strategic vision for its presence in the global market, as well as a global strategy that nurtures strong global brands, and a strategy for diversification. Such strategies strengthen a firm's overall value.

## 2.1 Global Brands

A ‘brand’ is defined as a legally defensible proprietary name that represents a product with dimensions that differentiate it in some way from other products (Lopes, 2007, p. 5). According to the American Marketing Association, a brand is a “name, term, sign, symbol, or design, or a combination of them, intended to identify the goods and services of one seller or group of sellers and differentiate them from those of competition” (Keller, 2003, p. 3). A common characteristic of global brands is that even if their sales are derived from a small number of markets, they are available in markets across numerous countries.

Brands provide considerable value to consumers. They promote both tangible and intangible characteristics of a product, which can either be functional and objective (such as quality, value for money, and consistency) or abstract and emotional (reflecting psychological and social values such as prestige associated with products from a certain region or country or heritage). Brands convey information and help simplify decision making for the consumer by giving a sense of security and consistency. Furthermore, brands are an important way for firms to communicate with consumers and cultivate their loyalty. They add value to the firm by sustaining a continuing revenue stream because of the consumers’ propensity for long-term brand loyalty.

A brand’s “personality” is built over time, embedded in a particular culture, or associated with a specific set of values (such as heritage or country image), and has economic value associated with the investment made to build the brand’s reputation. In many cases, a brand’s personality and longevity reflect the importance of being the first mover into a particular market. In such cases brands often set the standard against which subsequent entrants into that market are judged; and the first brand may be in a position to

raise the cost of entry for subsequent brands and firms. To sustain the value added of the first brand in the face of later competition—especially when the competing products may be similar—even first movers must invest in marketing to ensure that consumers do not perceive rival brands as acceptable substitutes.

Brands can also reduce risk in product decision making. Consumers may perceive different types of risks when buying and consuming a product (Keller, 2003, p. 10):

- *Functional risk*: The product does not perform up to expectations
- *Physical risk*: The product poses a threat to the physical well-being or health of the user or others
- *Financial risk*: The product is not worth the price paid
- *Social risk*: The product results in embarrassment to the user or others
- *Psychological risk*: The product affects their mental well-being
- *Time risk*: Failure of the product sets up an opportunity to find a substitute product.

One way consumers avoid these risks is by buying brands that they know, especially brands with which consumers have had favorable past experiences. This tendency is becoming even stronger in today's global, cross-culture world. Thus brands can play an important role in defusing risk, especially where the risk could have profound implications.

Brands take on personal meanings to consumers, often helping to facilitate their day-to-day activities and enriching their lives. As consumers' lives become more complicated, rushed, and international, the ability to simplify decision making and reduce risk by choosing a well-known brand is invaluable and strengthens the competitiveness of the firms that own those brands.



Global brands have widespread regional and global awareness, availability, acceptance, and demand. They are often marketed with the same name and consistent positioning, personality, look, and feel in major markets, which is achieved by centrally coordinated marketing strategies.

Global brands can create economies of scale and scope of research and development, manufacturing, sourcing, and marketing. Furthermore, global brands can be launched faster in foreign markets because fewer time-consuming local modifications must be made.

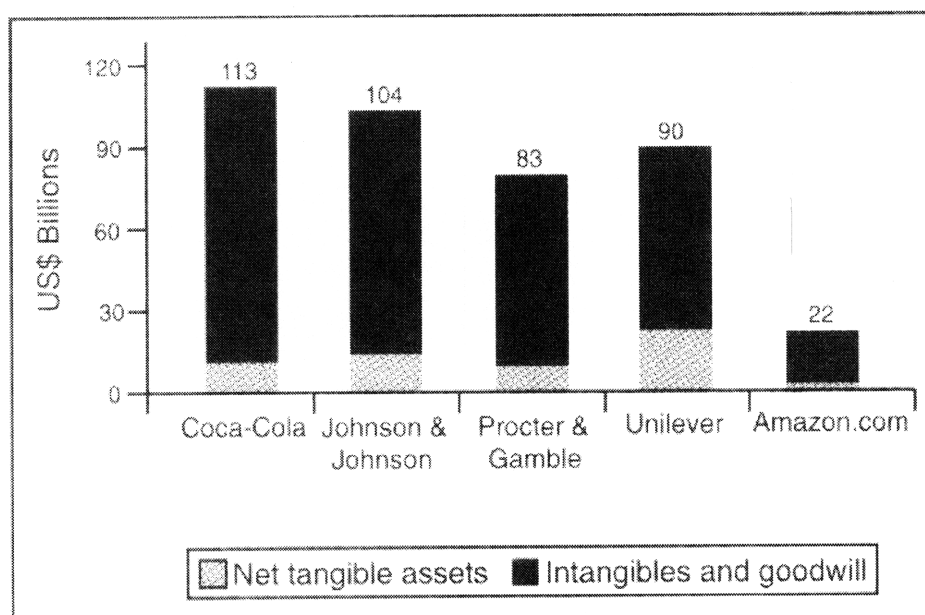
In the psychological domain, global brands are perceived as creating a sense of achievement and identification for consumers, symbolizing the aspired values of global consumer culture. Thus, the cultural influence of global brands has never been more important. From the demand side, global brands that have achieved consistent positioning often benefit from a unique and widespread perceived image worldwide. Such global positioning increases in the brand's strategic appeal as consumers around the world develop a similar taste for that brand.

## **2.2 Firms and Global Brands**

Brands provide a number of valuable functions to firms. Brands serve an identification purpose by simplifying product handling or tracing of the firm, and help to organize inventory and accounting records. A brand also offers a firm legal protection for the unique features of the product, so the firm can retain intellectual property rights, thereby giving legal title to the brand owner. Brands signal a certain level of quality so that satisfied consumers can easily choose the product again, or dissatisfied customers will decide to avoid the brand.

Brand loyalty creates predictable and secure demand for the firm, as well as creating barriers to entry that make it difficult for other firms to enter the market. In this sense, branding is a powerful means of securing a competitive advantage.

Brands represent enormously valuable legal property capable of influencing consumer behavior, being bought and sold, and providing the security of sustained future revenues to their owner. However, the vast majority of a brand's corporate value is comprised of intangible assets and goodwill; tangible assets may be as little as 10% of the total value (see Exhibit 2.1), while as much as 70% of the firm's intangible assets may be wrapped up in their brands.



**Exhibit 2.1 Brand value breakdown**

Source: Keller, 2003 ,P.12. Adapted by author

Becoming a multinational firm is as important as nurturing global brands. In fact, many of a firm's strategic actions fuel the growth of their global brands, which in turn

generates greater value in the global market. In the past decade, many multinational firms have trimmed their brand portfolios to favor global brands. For example, from 2000 to 2006, Unilever reduced the number of brands in its portfolio from 1,600 to 400 leading brands. This enabled Unilever to concentrate its resources on a portfolio of leading global brands with strong growth potential that meets the needs and wants of people around the world. Similarly, Procter & Gamble pruned its brand portfolio in favor of global brands. The top 20 global brands ranked in *Business Week* for 2008 are shown in Exhibit 2.2 below.

2008	Brand	Country	Brand Value(mil)	Parent Company
1	Coca-Cola	U.S.	\$66,667	Coca-Cola
2	IBM	U.S.	\$59,031	IBM
3	Microsoft	U.S.	\$59,007	Microsoft
4	GE	U.S.	\$53,086	GE
5	Nokia	Finland	\$35,942	Nokia
6	Toyota	Japan	\$34,050	Toyota Motor
7	Intel	U.S.	\$31,261	Intel
8	McDonald's	U.S.	\$31,049	McDonald's
9	Disney	U.S.	\$29,251	Walt Disney
10	Google	U.S.	\$25,590	Google
11	Mercedes-Benz	Germany	\$25,577	Daimler
12	Hewlett-Packard	U.S.	\$23,509	Hewlett-Packard
13	BMW	Germany	\$23,298	BMW
14	Gillette	U.S.	\$22,069	Procter& Gamble
15	American Express	U.S.	\$21,940	American Express
16	Louis Vuitton	France	\$21,602	LVMH Moet Hennessy-Louis Vuitton
17	Cisco	U.S.	\$21,306	Cisco
18	Marlboro	U.S.	\$21,300	Altria Group
19	Citi	U.S.	\$20,174	Citigroup
20	Honda	Japan	\$19,079	Honda Motor

**Exhibit 2.2 Top 20 global brands**

Source: 2008 *Business Week*/Interbrand Best Global Brands ranking, adapted by author

Note: Brand values are based on Interbrand's valuing method derived from financial analysis of publicly available company information.

In terms of resources spent to build a strong brand, every firm faces the need to reallocate budgets for brand building while coping with the current worldwide economic recession. Trimming the marketing budget can seem sensible since the overall effect will not appear in the short term. However, marketing investment for brand building is essential for maintaining and expanding a brand's long-term vision. Based on U.S. data from *Business Week* [BusinessWeek, 2008], Coca-Cola, Visa, and U.S. automakers have reduced their budgets for marketing. On the other hand, several firms have maintained their marketing budgets as a percentage of revenue, including American Express and Diageo (owner of Smirnoff). Louis Vuitton, Kellogg, Accenture, and Kleenex are all aggressively increasing their marketing expenditures as a percentage of expected sales. [BusinessWeek, 2008]

### **2.3 Diversification Strategies**

Specialized firms that do not have diversification in their business portfolio are far more vulnerable to fast and unexpected changes in the environment when there are dramatic market movements such as the current economic downturn. Therefore firms in many industries have chosen to diversify as one way to grow and survive. (Lopes, 2007, p. 107) Developing a multi-product firm is often related to factors such as excess capacity and its creation, peculiarities of organizational knowledge, and the firm's overall character. Frequently, however, marketing knowledge and brands are underutilized resources when it comes to diversification.

Different strategies are needed for related and/or unrelated diversification, or for a group of multinational firms, located in different countries but trying to achieve global leadership positions. We can find common patterns in their diversification strategies, not

only in the products and geographical markets they select, but also in their vertical integration strategies and the physical and knowledge linkages they create.

For example, in Japan, alcoholic beverages firms increased the number of their alliances with Western firms while simultaneously internationalizing in alcoholic and nonalcoholic beverages even though the level of internationalization always remained low. Japanese firms also intensified their investment in the soft drink industry and the food business. Economies of scale and scope in distribution were important since soft drinks used similar distribution channels as alcoholic beverages. In addition, many firms in Japan began to invest in industries related to health, such as pharmaceuticals.

In another example, following the strategy of diversification into soft drinks undertaken by Pernod Ricard and Japanese firms, Seagram acquired Tropicana, a major fruit juice company in 1988 which now operates as Kirin Tropicana International in Japan. There were obvious potential linkages in marketing knowledge and distribution between the alcoholic and nonalcoholic drinks business, and firms sought to take advantage of them.

Other firms pursued different strategies toward diversification. For example, Moët Hennessy joined with Louis Vuitton to form LVMH in 1987. The merger brought together two French firms, both producers of prestigious, premium-priced brands taking advantage of the high potential for sharing marketing knowledge in the management of brands and in international distribution. To further intensify its investment in the perfumes, leather goods, and fashion, LVMH acquired Duty Free Stores (DFS), the U.S.-based world leader in the sale of luxury goods to international travelers, which then became a major distributor of LVMH products. Here the linkages involved not only marketing knowledge in terms of the general management of brands and distribution, but also knowledge about specific markets,

such as Asia. The strength of the distribution linkages for such seemingly different products relates to the fact that the beverages produced by LVMH are premium priced.

Most spirits and wine producers, including Moët & Chandon and Hennessy, internationalized earlier than beer firms (with the exception of Heineken). The main reason is that they had products that are easily branded and whose characteristics did not change significantly when they were introduced in new and different places. Spirits and wines firms have beverages that appeal to consumers with higher levels of income and a tendency toward more “global” tastes. By internationalizing early, these firms played an important role in creating alcohol consumption habits, especially in Asia. By contrast, for a long time beer was perishable and very expensive to transport. That is why Heineken set up production operations abroad, but they were able to actively enter different countries by acquiring large local brewers, for example, Fischer and Saint-Arnault in France, and Birra Moretti in Italy.

Exhibit 2.3 analyzes the diversification linkages between the alcohol industry and other businesses. The table identifies four types of linkages: strong linkages (+++), medium linkages (++), weak linkages (+), or nonexistent linkages (0). (Lopes, 2007, p. 119) The classification of linkages into four categories is based on an analysis of the activities that form the value-added chains of different industries. These value-added chains are compared in terms of possible physical or knowledge linkages in R&D, production, marketing, branding, and logistics of distribution. For example, if two businesses share the same principles and methods of advertising, benefit from the same market research, rely on the same marketing department, use the same warehouses and trucks to transport products, share the same sales force, and target the same kinds of customers, then those businesses are considered to have strong linkages (+++).

<b>SIC: Other Businesses</b>	<b>Beer</b>	<b>Spirits</b>	<b>Wine</b>
Beer	+++	++	+++/>++
Spirits	++	+++	+++/>++
Wines	+++/>++	+++/>++	+++
Restaurants	+	+	+/>o
Packaged Foods	++	+	+
Soft drinks	+++	++	+
Fashion and leather goods	+/>o	++/>+	++/>+
Home and office products	o	o	o
Leisure - music, films	+/>o	+/>o	+/>o
Perfumes	+	++/>+	++/>+
Pharmaceuticals and biochemicals	++/>+	+/>o	+/>o
Tobacco	+/>o	+/>o	+/>o

Legend: +++ = strong linkage; ++ = medium linkage; + = weak linkage; o = no linkage

### **Exhibit 2.3 Analysis of diversification linkages between alcoholic beverage industries and other businesses**

Source: Lopes, 2007, p. 119. Adapted by author

The characteristics of the other businesses into which alcoholic beverages firms are diversified—typically related to lifestyle and leisure—point to a common linkage with the alcoholic beverage industry: marketing knowledge, since the competencies of such firms are roughly the same as those required in alcoholic beverages. Thus these businesses, to which multinational alcohol firms become diversified, offer potential economies of scale and scope in marketing, such as product branding or the costs of distributing the final products to customers.

The combination of physical and knowledge linkages explains the diversification strategies that seek to add value to leading multinational firms in the alcoholic beverages

industry. This diversification includes not only investments made by firms in products similar to those they already operate, but also investments in new geographical markets, in complementary activities, and in businesses that, while not sharing the same physical resources, require similar knowledge about managing brands and distribution channels.



# CHAPTER 3

## Kirin's Global Business, Diversification, and Brands

---

In this chapter, I focus specifically on Kirin: its current business environment and the status of its global brands. In Japan's highly competitive but slow-growth market, it is important for Kirin to expand out of the domestic market and into international markets, and to build a strong global brand that will sustain the firm's future growth. Now that Kirin has expanded its brand portfolio to include both the beer business and the soft drink business, I will cover both beer and beverage products in this chapter.

### 3.1 Brief History of Kirin

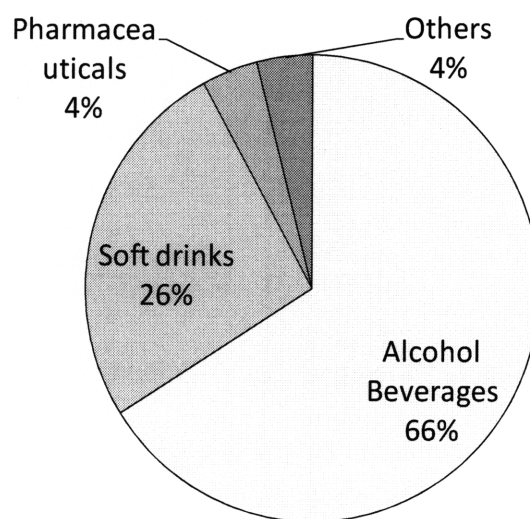
In 1870, William Copeland, a Norwegian-American, founded Spring Valley Brewery in Yokohama, Japan. In 1885, Japan Brewery Company took over Spring Valley Brewery, and with the takeover came a new German brewmaster, and the first German-style lager beer, introduced as Kirin Beer in 1888. In 1907 Kirin Brewery Co., Ltd. was established, and it took over the operations of Japan Brewery.

The founder's philosophy was simple: "Quality First" and "Sound Management", which gradually transformed to "Customer-Oriented" and "Quality-Driven". This corporate philosophy has guided management and the firm's brand development for over 85 years. Kirin has enjoyed constant growth in the market, achieving more than 60% of the market in

Japan by 1979. However, by 1980 the beer market had reached its peak and was growing only 2% to 3% per year. Kirin decided to accelerate its diversification to include not only the drink and food businesses but also other fields such as engineering development, pharmaceuticals, and the agribio business.

### 3.2 Kirin's Diversified Business Portfolio

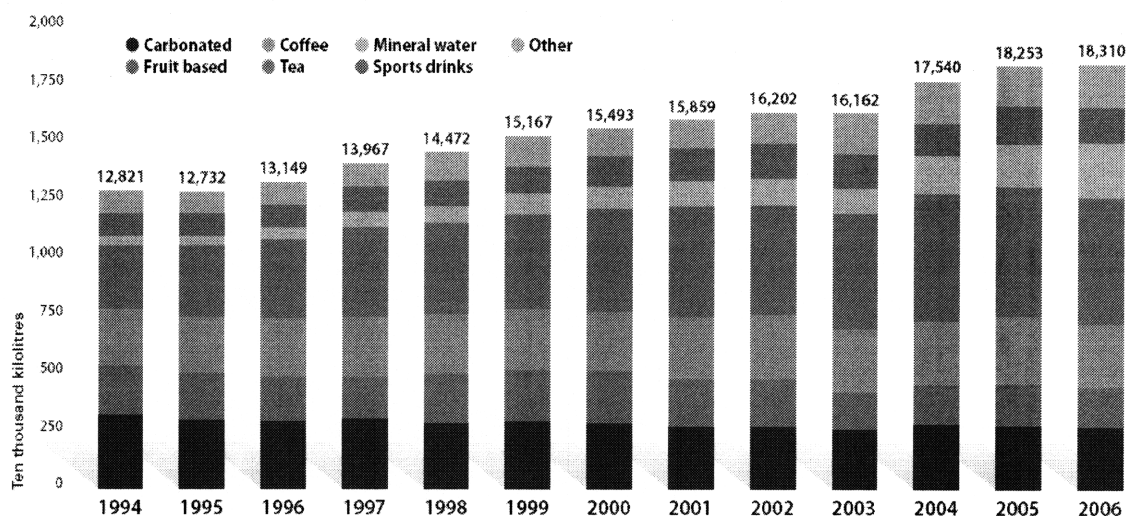
Kirin currently has four main business segments: (1) alcoholic beverages, (2) soft drinks, (3) pharmaceuticals, (4) other businesses including nutrient foods and agribio. In 2007, Kirin generated sales of ¥1.80 trillion (approximately \$18 billion) and pre-tax operating income of ¥11.7 billion (approximately \$0.10 billion). Exhibit 3.1 shows the breakdown of Kirin's consolidated revenue among these four segments.



**Exhibit 3.1 Breakdown ratio of Kirin's consolidated revenue (2007)**

Source: Kirin Holdings Annual Report 2007, adapted by author

- 1) Clearly, the alcohol business is the largest and core business segment for Kirin, which includes strong domestic brands such as Lager Ichiban in the beer category, and *Tanrei Nodogoshi* in the near-beer category, and *Chu-hai* in the ready- to-drink cocktail category— each achieving the top position in their respective categories. These promising segments have evolved as the new generation had shifted its taste from traditional beer and liquor to these new brands. These various alcohol businesses support Kirin Groups' growth with a stable source of cash flow.
- 2) The second piece of the business portfolio is soft drinks. The soft drink portion of consolidated sales grew from 26% in 2007 to 31% in 2008. Kirin Beverage Company, a wholly owned subsidiary of Kirin, is the third largest enterprise in the soft drink industry. Sales volume increased 6%, and revenue grew by 5% to ¥411.2 billion (US\$41million), following 3.3% growth the previous year. Kirin Group's long-term plan to develop and maintain an optimum soft drink product portfolio is a key management strategy. Kirin Beverage Company produces carbonated drinks, coffee, tea, mineral water, fruit juice, and sport drinks. Exhibit 3.2 illustrates the sales volumes of various soft drink categories .

**Kirin soft drink volumes by category****Exhibit 3.2 Kirin soft drink volumes by category**

Source: Kirin Brewery Annual Report 2006, adapted by author.

The market size of the soft drink industry in Japan is approximately ¥4 trillion (US\$40 bn.), and continues to grow. Compared to the mature alcoholic beverage market, the soft drink market is still active, but it is also highly competitive with continual new product launches.

3) Kirin obtains 4% of its revenue from pharmaceuticals, which has high profitability and growth potential. Kirin entered the pharmaceuticals business in 1982 and soon became a fully integrated pharmaceutical company. In 2008, Kirin entered into a strategic alliance that combines its pharmaceutical business with Kyowa Hakko Kogyo to achieve greater synergies in marketing and R&D. The combined firm is known as Kyowa Hakko Kirin Co., Ltd. This merger enables Kirin to continue to develop globally via antibody technology as a key biotechnological strength.

4) Other businesses (which comprise 10% of revenues) include nutrient foods and agri-bio (e.g., flowers and nurseries). These leverage Kirin Group synergies and take advantage

of Kirin's R&D capabilities to create new value in the areas of health foods and functional foods. In 2007, Kirin acquired National Foods, Australia's leading dairy products and beverage company, which is strategically aimed to be a strong platform for new growth in Asia and Oceania.

In summary, with these four major business domains, Kirin has undertaken a well-diversified business portfolio so that it is no longer a beer-specialized company.

### **3.3 Kirin's Global Business**

Kirin's expansion outside Japan is taking place through a combination of organic and acquisitive growth, including building Kirin's beverage, soft drink, and pharmaceutical presence in various markets. At the same time, Kirin is consciously taking steps to develop its brand internationally.

In addition to its globalized operations in the United States, Europe, Asia, and Australia, the current focus of Kirin's overseas alcohol business development is Asia and Oceania. Here Kirin has entered into partnerships with other brewers and joint initiatives with other Kirin Group businesses. The aim is to build a strong, profitable overseas foundation to increase the pace of international expansion and accelerate future growth. This overseas strategy will make optimal use of Kirin's technology and product base while exchanging information and marketing techniques throughout the Asia and Oceania region, identifying synergies and branding opportunities.

### 3.3.1 Expansion in China and the Southeast Asia Market

Kirin has expanded its business in China by focusing on three regions: the Yangtze River Delta, the Pearl River Delta, and Northeast China. Kirin's businesses in China are operated through Kirin (China) Investment Co., including marketing in the area and developing products for local markets that are marketed under the Kirin brand name. In 2007 Kirin opened a new plant in Zhuhai City in the Pearl River Delta region. In addition, Kirin commenced sales of a new premium beer, *Qin Qilin*, in Shanghai, which is the key consumer market in the Yangtze River Delta area.

Kirin plans to purchase a 43% stake in San Miguel Brewery, the leading beer company in the Philippines, which has an approximately 95% share of its home market. Since Kirin's initial investment in 2002 in San Miguel Corporation, the companies have collaborated in a number of areas, including procurement. The San Miguel group of companies is a key partner in Kirin's growth strategy in Southeast Asia.

Shanghai Jin Jiang Kirin Beverage & Food Co. runs the most successful soft drink and foreign beverage operation in the Shanghai area. Kirin currently has expanded its sales coverage of soft drink products into Shanghai, Guangzhou, and Beijing. The sophisticated image and high quality of Kirin's tea brand *Gogono-Kocha* (meaning "afternoon tea" in both Chinese and Japanese) and canned coffee *Kirin FIRE* have attracted young consumers in Shanghai and generated remarkable success. In 2005, Kirin launched the leading ready-to-drink cocktail brand in Japan, *Hyoketsu*, manufactured in China and creating a new category in the Chinese beverage market.

In Thailand, Kirin embarked on the manufacture and sales of *Kirin Nama-cha* (green tea) in 2006. Kirin plans to expand into additional countries in the Asia-Pacific region with products and brands that can be adapted to local tastes and consumer demands.

In Vietnam, Kirin established Viet Nam Kirin Acecook Beverage Company in 2008. The venture is capitalized at \$29 million, of which 51% came from Kirin Beverage, 39% from Acecook, and 10% from an Acecook unit in Vietnam. This venture will combine Kirin's knowledge and experience in the drink industry with Acecook Vietnam's existing distribution network and marketing know-how. Acecook is currently Vietnam's top instant noodle company, with a 60% share of the market.

### **3.3.2 Expansion in Australasia-Oceania Market**

Kirin owns approximately 46% of Lion Nathan Ltd., the leading alcohol company in Australia and New Zealand, which has strong brands and a vigorous and profitable beer, wine, and related beverage operations. Lion Nathan's strong business performance contributed significantly to Kirin's consolidated results with steady growth and further development of its already-strong market positions in beer and wine. Supported by an attractive brand lineup, progress in shifting to premium products, and sound economic conditions in its key markets, in 2007, Lion Nathan marked the eighth consecutive year of profit growth. Lion Nathan's marketing strategy is to maintain a strong market presence and profitability in beer, particularly premium beer, while investing in power brands such as *XXXX Gold* and *Steinlager*, both of which are expected to grow in the long term.

In 2007, Kirin acquired National Foods, Ltd., one of Australia's largest food and beverage groups. It is Australia's market leader in milk, yogurt, desserts, juice, and cheese,

and also offers soy beverages. It is the only business in its sector servicing the entire Australia market with a national milk brand. Through investment in National Foods, Kirin obtained a robust platform for growth in the food and beverage areas, with a goal of generating 30% of revenues (excluding liquor tax) from businesses outside of Japan.

### **3.3.3. Network in the United States**

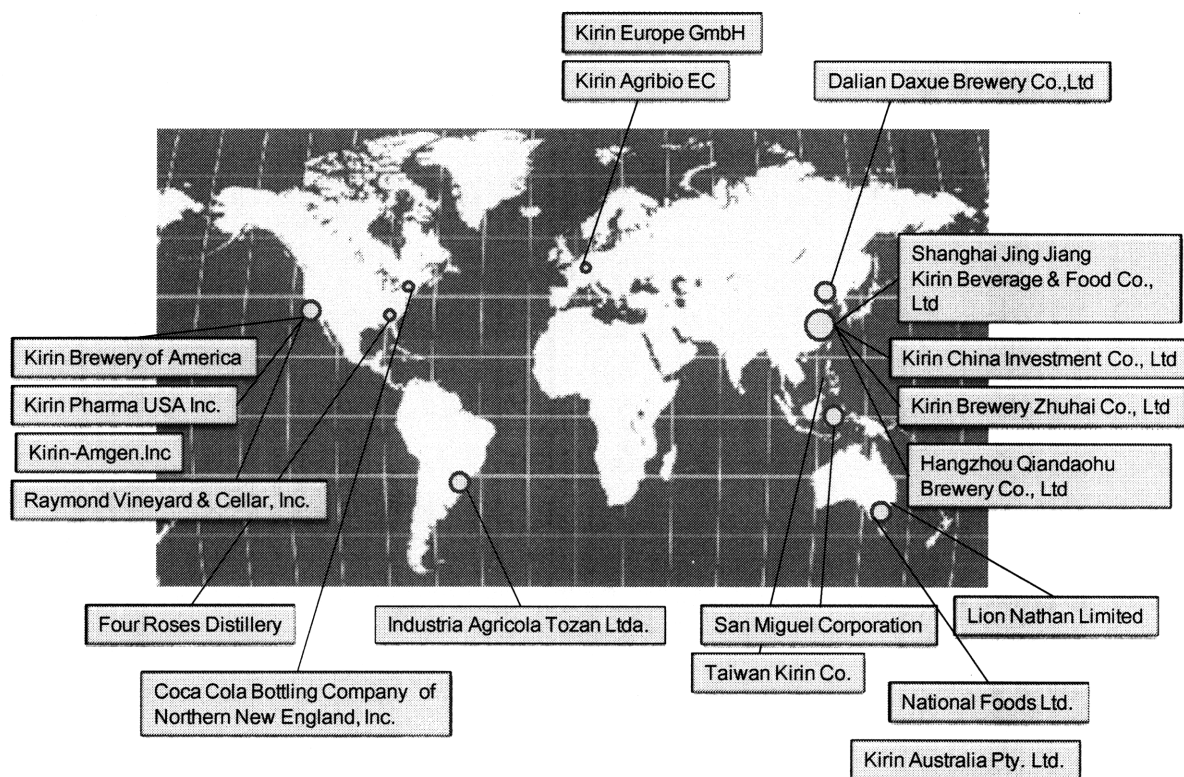
Kirin sells its Ichiban and Kirin Light brands through a licensing scheme with Anheuser Busch. In addition, Kirin wholly owns the Coca-Cola Bottling Company of Northern New England, Inc. (CCNNE). This subsidiary manufactures and sells soft drinks for a wide range of companies in the New England sales territory and makes a major contribution to Kirin's consolidated results. With the recent acquisition of Coca-Cola Bottling Company of Southeastern New England (in Connecticut), CCNNE has become one of five largest Coca-Cola bottlers in the U.S. Kirin also holds 100% of the Four Roses Distillery, which produces and sells Four Roses Bourbon. In the wine business, Kirin also owns Raymond Vineyard & Cellar, in Napa, California.

In the pharmaceutical field, since the early 1990s Kirin has operated pharmaceutical businesses in China, Taiwan, and Korea, and in 2006 launched products in Thailand, Singapore, Malaysia, Philippines, Indonesia, and Vietnam. For 2007, the pharmaceutical business represented 4% of consolidated sales and 10% of the group consolidated operating income, with overseas operations generating nearly 10% of Kirin's total pharmaceutical sales. Kirin has three R&D subsidiaries in U.S. and sales subsidiaries in Shanghai, Hong Kong, Taipei, Korea, Singapore, and Thailand. Kirin introduced additional products in 2008,



including a treatment for dialysis patients with secondary hyperparathyroidism, which was developed with Amgen, its partner in the U.S.

Exhibit 3.3 summarizes the range of Kirin's overseas investment and portfolio.



**Exhibit 3.3. Kirin overseas business operations**

Source: Kirin Holdings Company Annual Report 2007 modified by author

### 3.4 Kirin Brands Introduced Overseas

Kirin has expanded its global business by introducing several brands, including beer and soft drinks. There are brands originated in Japan, and were then exported to Asia, Australia, the United States, and Europe, where they were then produced locally. There are also several brands that were developed locally and sold only in the local market, such as in China and Australia.

### 3.4.1. Kirin Ichiban brand

Kirin Ichiban<sup>1</sup> is Kirin's most widely distributed brand in 29 countries overseas.<sup>2</sup> Launched in 1990 in Japan as 'Ichiban-Shibori' (meaning first-press brewing process), it uses only the most flavorful portion of the finest ingredients. Its great success in the domestic market has made Ichiban the best-selling beer brand for Kirin.

Ichiban is positioned as a premium beer for its high quality—and higher price—compared to local beer brands. As Japanese food becomes more common worldwide, it should be possible for Kirin Ichiban to expand its sales by communicating the brand's unique value. At present Ichiban does not have a distinct perception among all the Japanese beer brands, and it lacks a unique brand characteristic. Consumers find the name 'Ichiban' stronger and easier to pronounce than Kirin, and a consumer focus group indicated that they felt the mythical animal 'Kirin' in the label was intriguing as a historical story (Focus interview, 2006)

Ichiban was first introduced abroad to the U.S. market in 1992 by exporting the product from Japan.

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<sup>1</sup> The brand was renamed 'Kirin Ichiban' from its original Japanese name 'Ichiban Shibori' because it is easier to pronounce in English and other foreign languages. However, its original design was retained.

<sup>2</sup> Kirin Ichiban is sold in France, Germany, Italy, Spain, Ukraine, Austria, Switzerland, Netherlands, Denmark, Sweden, Norway, Finland, Poland, Greece, Ireland, Israel, Latvia, Turkey, Russia, China (including Hong Kong), Korea, Taiwan, Singapore, U.S., Canada, Brazil, Philippines, Australia, New Zealand



**Exhibit 3.4(a) Kirin Ichiban sold in US**

In the United States, Kirin Light is another strong brand. The light beer market is now becoming dominant in the U.S., reflecting rising consumer consciousness of the need to eat and drink in a more healthy manner. Kirin Light is designed to meet that consumer demand.



**Exhibit 3.4(b) Kirin Light sold in US**

In 1993, Kirin Ichiban was produced in Europe under a license contract with local brewer, Charles Wells. For the Asian market, it was exported to Hong Kong and Southeast Asia in 1994, and to Taiwan in 1995. By 1997, Ichiban had become the number one imported beer in Taiwan. At the same time, it was introduced to mainland China and is now produced in Zhuhai China, for the rapidly growing Chinese market. In 2007, Ichiban began to be produced locally and sold in Russia, which is expected to become the largest beer market in the world.

### **3.4.2. Megumi**

The Megumi brand was launched in 2007. It was developed by the Lion Nathan marketing team for the Australian market, and was the first brand to be launched solely for the local Australian market. Targeted to young adults in their twenties, and bearing a simple and modern design, Megumi's goal is to encourage greater overall awareness of the Kirin brands. The "first press" brewing method is very appealing to Australian consumers, and the design and brand name were developed based on local consumer research, which showed an interest in the stylish and modern Japanese image.

Key lessons learned from local consumer research included:

- Be overtly Japanese, not Asian
- Use "Japanese" colors: white, black, silver, red.
- Be minimalist, "keep it simple"
- Use Japanese characters prominently

This was Kirin's first challenge to develop a local Australian brand. To do this, it was decided to retain Ichiban's "first-press method" concept but to change the design and add a

brand sub-name. The launch was successful, doubling sales in Australia. The effect of adapting the brand will require more time and marketing effort to determine its success and a sufficient level of penetration.



**Exhibit 3.5 Megumi, launched in Australia, 2005**

### 3.4.3 Kirin Hyoketsu

Kirin Hyoketsu is a ready-to-drink cocktail in a can, which has become a best-selling brand in Japan. Launched in 2001, Hyoketsu has been successful mainly among the younger generation, which perceives this product as eliminating the old, traditional image of previous brands of beer and whiskey. As a result of its outstanding success in the Japanese market, hyoketsu was introduced into the Chinese market, initially in the Shanghai area. Since the

Chinese character for the name Hyoketsu was pronounced *Bing-Jie*, the same Chinese character was included in Hyoketsu's logo. The design strictly followed the Japanese original, although the product's taste was modified slightly in China to meet local consumers' preference.

In this case, Kirin faced the dilemma of globalization and localization. Since the category itself was very new in the Chinese market, it took considerable effort to introduce the brand and product to Chinese consumers. However, slight modifications, such as increasing sweetness and reducing sourness, were essential for globalizing the brand. In order for the brand to be perceived the same in China as in Japan, a careful interpretation of taste is very important to maintaining brand consistency.



**Exhibit 3.6. Kirin Hyoketsu for the Chinese market**

#### **3.4.4 Kirin Gogono-Kocha**

*Gogono-Kocha* (meaning “afternoon tea”) was launched in Japan in 1986 to boost its brand design and taste in the market. The brand was then introduced in Shanghai in 2001, when the soft drinks market in China was growing at a rate of 20%, with rapid changes in

consumer lifestyles. Kirin took the initiative to widely disperse the Kirin brand name in the Chinese market by entering into a joint business venture with Jing Jiang Group in Shanghai in 1996, making use of a local production line and sales force.

The brand has become a great success for its extremely sophisticated image, which was highly favored in the Shanghai market. The brand appealed to the sentimental association of afternoon tea with cultural sophistication and elegance—a common perception in both China and Japan, especially among young people. While the Kirin brand concepts were basically the same as in Japan, adjustments were made to the packaging, container shape, taste, and advertising to meet the tastes of Chinese consumers based on the findings of consumer surveys (Hashiguchi, Manager of Product Planning Dept. Shanghai Jin Jiang Kirin Beverage & Food Co., Ltd.)



**Exhibit 3.7. Kirin Gogono- Kocha for the Chinese market**

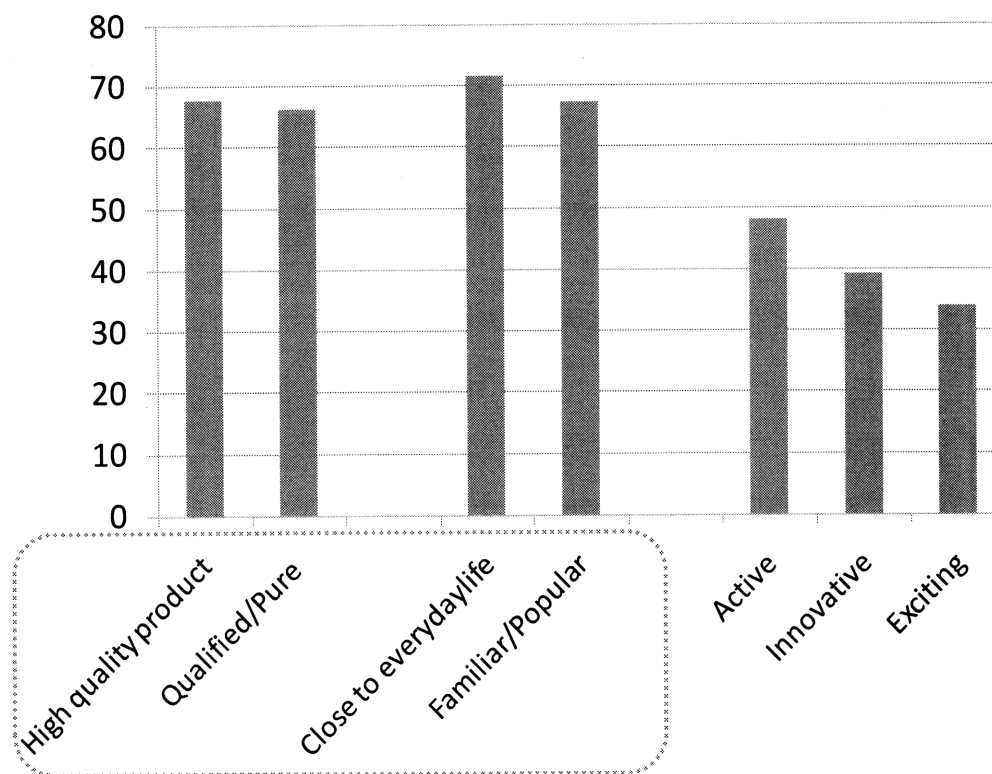
Kirin has introduced several brands in numerous countries, but it still requires considerable effort to nurture the Kirin brand. Also, while managing various brands across categories and countries, it is clear that a consistent core concept is needed to penetrate among all of the brands being proposed by Kirin.

### **3.4 Kirin's Corporate Brand Image**

Kirin's corporate image in Japan is perceived by consumers as "high quality", "authenticity", and "tradition", and this image enjoys broad awareness and penetration in the market. Exhibit 3.8 shows the current image of Kirin. Still the Kirin name is widely associated with a traditional beer image. There are still plenty of opportunities for Kirin to strengthen its corporate brand image despite the fact that its presence is low in the global market at this stage. A positive image of high quality and credibility is essential for any manufacturer. In the beer category, there is a generalized image of beer as mannish, old, strong, not elegant. Consequently it has been somewhat difficult to create a new image in a totally new market. However, the company's success with beverage products in China demonstrates that the soft drink market has commonalities with the beer market — expectation of high quality, excellent taste, good value, and brand credibility.

Apart from historical tradition tied to local lifestyles that include beer and alcoholic beverages, there are more opportunities to create new values in the soft drink market. Seeking future opportunities, the soft drink market is another feasible option for Kirin to use its brand credibility in growing markets such as Asia and Oceania, where the soft drink market has larger potential in its growth and future demand for higher qualities.





**Exhibit 3.8 Kirin Logo image (% positive)**

Source: Survey conducted by Kirin, 2008 n=1318, adapted by author

# CHAPTER 4

## Comparing Global Brands: Three Success Stories

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In this chapter, I analyze and compare three successful global beverage brands: Coca-Cola, Heineken, and Budweiser. My goal is to understand their global branding strategies and identify key points that may be helpful to other companies seeking to achieve a similar measure of success.

Coca-Cola is the most well-known and widely recognized global brand in the world. Their global strategy is based in a system of strict product quality control, and their centralized brand management. In addition, Coca Cola's bottling system is a major factor in maintaining its product quality and brand image wherever they expand in the market. In the beer category, Heineken has cultivated a perception as a sophisticated global brand, widely known across many countries, having successfully expanded overseas earlier than among other beer companies. Budweiser is a totally American brand, that has now successfully cultivated its brand recognition in China by utilizing a premium positioning strategy.

For each of these three companies, I will examine their brand history, then explore commonalities and differences among the three, seeking to identify the key factors that have made each company a successful global brand.

## 4.1 Coca-Cola

Coca-Cola has been ranked as the world's number one brand every year since the global brand ranking study debuted in 2001, according to *Business Week* and Interbrand (Coca-Cola website, 2006). From its early beginnings in 1886, when a mere nine drinks a day were served, Coca-Cola has grown to the world's most ubiquitous brand, with more than 1.5 billion beverage servings sold each day. With the world's largest beverage distribution system, Coca-Cola is sold in more than 200 countries, supported by over 90,000 associates worldwide. Coca-Cola's instantly recognized logo and brand design can be found virtually anywhere in the world, and consumers know and trust its consistent and original taste.

### 4.1.1 Brand History

The history of Coca-Cola goes back to 1886, when John Pemberton invented the original recipe for a new cocawine, which he named Pemberton's French Wine Coca (Coca-Cola website (b)). Pemberton developed Coca-Cola as a non-alcoholic version of his original cocawine, local legislators passed prohibition legislation. Carbonated water was added later when Pemberton was mixing drinks for a friend and accidentally included it. He altered the original formula and incorporated this newly innovated drink.

In its early years Coca-Cola was said to cure several diseases, including headaches and morphine addiction. Atlanta businessman Asa Griggs Candler secured the rights to its business, incorporated The Coca-Cola Company in 1892, and began marketing the product. In 1899, a Coca-Cola bottling company was established in Chattanooga, Tennessee, and by its 50th anniversary in 1949, the drink had achieved the status of a national U.S. icon.

In 1985, Coca-Cola began to market “New Coke” in an attempt to change the original formula. This led to the so-called “Cola Wars” with their only competitor, Pepsi-Cola. Coke soon learned that most consumers preferred the taste of the original Coke, and considerable purchasing resistance occurred. Three months later, the company brought back the original formula and renamed it “Coca-Cola Classic” to indicate to consumers that the drink had reverted back to its flagship formula.

In 1982, the company launched “Diet Coke,” which was sweetened with artificial sugars and flavors. Diet Coke was targeted primarily to female consumer, so the product was strictly segmented and handled differently from the original Coke. Later that year, Coca-Cola launched “Coke Zero,” which had a taste closer to Coke Classic, and it became a great hit. With its simple black package design, Coke Zero was specifically targeted at male consumers, and product marketing promotion included sponsoring football and basketball—all in an effort to create a promising younger-generation male market for the Coke brand.

#### **4.1.2 Globalization**

Coca-Cola started exploring very early in foreign markets, specifically with their entry into Cuba in 1902—the same year Pepsi-Cola started its business. By 1929, Coke was being sold in 75 countries around the world. Its international presence grew even more during World War II, when U.S. troops overseas were supplied with Coke by the government. During that period, Coke built 63 bottling plants around the world. After the war, Coke grew continually until the beginning of the 1980s.

As a manufacturer, marketer, and distributor of non-alcoholic beverage concentrates and syrups, Coke supports a network of over 1,000 bottlers in over 200 countries around the

world. Today more than 70% of Coke's income comes from outside the U.S., but the real reason they are a truly global company is that the products meet the varied taste preferences of consumers everywhere. Coke has continually explored global strategies that will make it "a broader global presence than just about any other company in the world, [with] what [is] reckoned to be the world's most valuable brand, and is much more profitable overseas than at home" (Ghemawat, 2007, p. 17)

Below is a brief overview of some of the strategies used by Coke while expanding its business overseas.

1) 1980s: One-size-fits-all

Under the leadership of CEO Roberto Goizueta, Coke developed a strategy to exploit similarities found in all the countries into which they planned to expand. As a global company that does not distinguish between international and domestic, the company believed in taking advantage of any economies of scale that would bring additional growth opportunities. Goizueta's core belief in similarities across countries underpinned Coke's global strategy that "placed emphasis on international growth, scale economies, statelessness, ubiquity, and centralization with standardization" (Ghemawat, 2007, p. 18). With consolidated divisions and regional groups headquartered in Atlanta, Coca Cola was thoroughly centralized, with standardized marketing activities across the globe. These strategies brought great success – Coke's market value rose from US\$4 billion to US\$140 billion.

2) 1990s: From global presence to global exposure

During this period, Coke was led by CEO Douglas Ivester. In the wake of recessions in Brazil and Japan (two of Coke's largest overseas markets), and the Asian currency crisis in 1997, executing strategies became increasingly difficult, and Coke's stock value decreased by approximately US\$70 billion. At the same time, bottlers were growing unhappy as Coke increased the price for concentrate and the bottlers were unable to pass the increase on to consumers. Ivester, hurt by Coke's lagging stock price, abruptly resigned in October 1999.

3) 2000: Think local, act local

Douglas Daft, who became CEO in 2000, was convinced that a local strategy was the right way to go. He undertook an enormous effort to localize core functions such as marketing, and establish branches in different countries worldwide. Global advertising was no longer seen; instead, budgets for advertising and creative control were handed to local executives—who were totally unprepared. As a result, communication varied widely from country to country, which had a major impact on quality.

4) 2004: Managing similarities and differences

E. Neville Isdell has been CEO since June 2004. He believed that the “pendulum had swung too far,” so he “turned his back on the extreme localization that Daft initiated by continuing to rebuild headquarters capabilities and recentralize elements of marketing, with a particular emphasis on bigger, more universal advertising themes” (Ghemawat, 2007, p. 24). Under Isdell, Coke is trying to leverage ideas that have worked well in one market to

rethink how to compete in other countries. For example, the beverage market in Japan is less driven by Coke, because beverage manufacturers have succeeded in developing canned coffee and 200 other products, such as tea, fruit juice, and energy drinks. Coke's recent strategy is "an attempt to find a new and improved way to compete across borders, instead of settling for some compromise between Goizueta and Ivester's extreme centralization and standardization and Daft's extreme decentralization and localization" (Ghemawat, 2007, p. 24).

#### **4.1.3 Coca Cola's Bottling System**

Coca-Cola's bottling system is crucial to managing their product quality across the world. Coke's bottling partners execute Coca-Cola's marketing and merchandising activities in a system that allows them to conduct business on a global scale while at the same time maintaining a local approach. From the world's largest cities to its most remote villages, the bottling system is comprised of locally rooted enterprises committed to quality. The bottling partners exert a strong influence on local economic developments and actively participate in community life through local events and philanthropic activities.

The bottling companies are locally owned and operated by independent business people who are authorized to sell products of the Coca-Cola Company (Coca-Cola Company (c). Because Coke does not have outright ownership of its bottling network, its main source of revenue is the sale of concentrate to its bottlers. This bottling system, operating globally, enables Coke to spread controlled taste widely to multiple countries and keep brand perception consistent. The bottlers are also responsible to sell, distribute, and merchandise Coke products to retail stores, vending machines, restaurants, and food service distributors

(Coca-Cola Company, 2009). The final production and distribution to the end users are led by the bottlers.

I conducted an interview with Mike Elmer, Marketing Director for Coca Cola Bottlers New England, who pointed out key actions taken to strengthen Coke's presence as a global brand.

- Communicating a globally unified message: To communicate Coke as global brand to local consumers, during the 2008 Olympics Coke ran a campaign highlighting the fact that the brand is recognized worldwide. Specially designed cans were introduced which had the Coca Cola logo in the various languages of the countries participating in the Olympics. The overall message of the brand was "Connect with the world over a Coke". The unified message was that every four years the world is united via sports, and that Coke is found there as an integral part.



**Exhibit 4.1 Special designed Coke cans with four country logos**

Source: The Coca Cola Company



- Adaptation by micro segmentation: Although Coke is very big throughout the world, they are equally precise in segmenting consumer in local areas. As an example of their micro-management of segmenting a target, Coca Cola Northern New England adapts their communications according to each area for which they are responsible. In a store at the point of sale where consumers meet product, the visual advertising is adapted according to the consumer demographic in that region. In northern New England, they adopt models that represent people in the area; in areas that have more diversity, they diversify the models accordingly. Managing 350 different SKUs, they also approach the market very precisely by channels and products. Whether Coke is sold in a supermarket for home use or in a shop where it is typically consumed directly, Coca Cola New England strategically changes the focus of their message for each opportunity.



Poster used in northern  
New England



Poster used in more diversified areas of  
New England

#### **Exhibit 4.2 Micro marketing: Local adaptation of point of sales image**

Source: Coca Cola Bottling Company of Northern New England, Inc.

- Maintaining consistent quality control: The Coca Cola production system is highly dependent on the bottlers. Coke produces the unique and closely held syrup concentrate, which is then sold to various bottlers throughout the world who hold a Coke franchise. Coke bottlers, who hold territorially exclusive contracts with the company, produce the finished product in cans and bottles from the concentrate in combination with filtered water and sweeteners.

There are strict rules for checking the quality of the product all across distribution areas. Bottlers are responsible for producing a product that meet Coke's high standards. The measurement system is strictly controlled and is sampled across the market and checked regularly to ensure that every product on the shelf meets the high quality standards. The bottlers are the gatekeepers of the brand, and they promise consistency of taste and quality worldwide. High motivation and loyalty to the brand are keys to maintaining Coke's strong brand image.

## **4.2. Heineken N.V.**

With its origins in The Netherlands, Heineken is considered a “top-shelf” brand almost everywhere in the global market. It is perceived as a sophisticated and modern brand in its advertisements and also for its higher price than the local beer in most countries.

Heineken has successfully differentiated its brand image from other local beers. For example, a slogan in the United Kingdom was customized specifically for that market, and additional slogans were customized for other markets; the results have been excellent success with the same product in various countries.

### **4.2.1 Brand History**

The Heineken Company has existed in The Netherlands for more than 140 years, and is one of most successful global beer brands with a very sophisticated image.

The Heineken family entered the beer business in 1864 when Gerard Adriaan Heineken bought the Haystack Brewery in Amsterdam. He kept expanding the company by building new breweries, merging with other brewing companies, and refining the beer brewing process and taste. Eventually Heineken Breweries was incorporated, and the name ‘Haystack’ was replaced by Heineken. At this time, the brewery stopped producing traditional ale type “workman’s beer” which was cheap, and began to focus on new, clearer and purer beer known as a “Gentleman’s beer”. In 1875, Heineken beer won a gold medal at the International Exposition in Paris and from that moment on, regular shipments of Heineken began to flow into the French capital.

Heineken continued to expand, vacillating between concessions to the market and striving to uphold its belief in high quality and price. It was Gerard Heineken’s philosophy

that “A good product is recommended by its use alone.” Interestingly, the company refused to use advertising, in the belief that it lowered the company’s high standards. By 1880, Heineken had become the biggest beer exporter to France. In 1889, their brewery was again awarded the gold medal of honor, this time at the World Exhibition in Paris, where Heineken beer was supplied to the Eiffel Tower restaurant. The award crowned the quality-focused policies of Gerard Heineken.

#### **4.2.2 Expanding by Globalization**

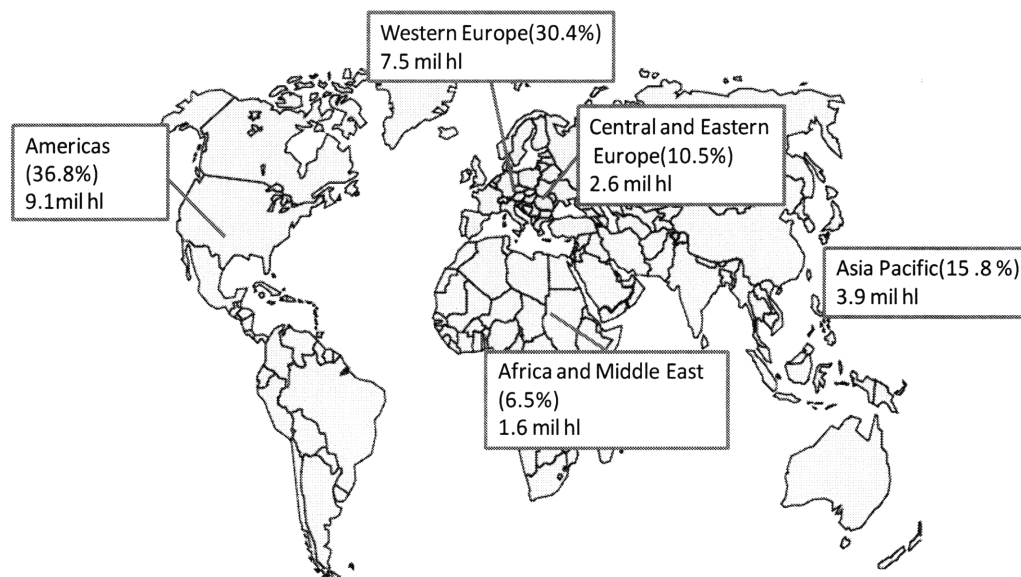
For the past 140 years, three generations of the Heineken family have built and expanded the company and its brand throughout Europe. Expanding into the United States would have been the next logical step, but alcohol was banned during the Prohibition era in the U.S. At this stage, an international springboard was created in 1928 when the Olympic Games were held in Amsterdam. Taking advantage of new communications methods, Heineken commissioned a “Heineken” ad in the sky, which was the idea of Peter Feith, the company’s new head of exports. Under his leadership, Heineken began to take the first steps toward s becoming a truly international company. In 1929, Heineken advanced into Asia, constructing its first brewery in a tropical region in the Dutch East Indies (now Indonesia).

As Heineken’s international markets grew, its reputation also gained strength. In 1954, Alfred Heineken acquired a majority of shares in the company and began a radical modernization campaign. Believing strongly in brand marketing, he set about proving his conviction that ‘beer can travel’. It was the beginning of a highly effective global marketing policy. By 1961, Heineken owned or had an interest in four breweries in The Netherlands and 24 abroad, including Egypt, Italy, Venezuela, Angola, and the Belgian Congo (today

Zaire). Heineken also took over Amstel Brouwerij N.V. in 1968 as well as soft drink producer Vrumona N.V. in Bunnik (the Netherlands), thus securing its share in The Netherlands internal market. Heineken became a fixture in traditional bars from Dublin to Geneva.

By 1979, Heineken had achieved broad market leadership in Europe through many acquisitions, but faced the daunting task of fine-tuning its communication and products to appeal to consumers in each local culture. These markets varied hugely: the English were used to weak dark ales; the Italians had mainly a wine culture, the three distinct Swiss regions had their own expectations.

Today Heineken has a network of 115 breweries in more than 65 countries, including an international export operation that ships to profitable major markets and local brands. The volume of Heineken sales in the global market is shown in Exhibit 4.3.



**Exhibit 4.3 Sales volume by region**

Source: Heineken's Annual Report of the Executive Board 2008. Modified by author

### **4.2.3 Brand Management**

The Heineken beer served around the world is still brewed using the original recipe invented three generations ago by the Heineken family. The mildly bitter taste, fresh and fruity aroma, bright color, and clarity are Heineken's original characteristics, consistent across borders and generations. Today Heineken also manages the Amstel brand as another important pillar in the company's global portfolio.

Heineken's brand strategy is to "build a strong portfolio that combines the power of local and international brands and which has Heineken at its center" (Heineken website). The brand is coordinated centrally, which requires solid creative brand management for its consistent growth. The company carefully balance its brand portfolio and tries to achieve optimal distribution and coverage in order to build and sustain strong positions in each local market.

For both the Heineken and Amstel brands, each has developed and now maintains central guidelines and standards for brand style, brand value, and brand development. At a central level, they also support local management of the entire brand portfolio through benchmarking programs designed to optimize marketing, sales, and distribution.

Heineken has five operating regions: Western Europe, Central and Eastern Europe, The Americas, Africa and the Middle East, and Asia-Pacific. Each region is headed by a regional president. The two members of the executive board, the five regional presidents, and five group directors together form the Executive Committee, which supports the development of policy and ensures the alignment and implementation of key priorities and strategies across the organization.

## 4.3 Budweiser

Budweiser is an American-style lager and is one of the most popular beers in the United States. Budweiser is also well-known across the world. It is produced in various breweries in the U.S. and also in China and the U.K. Its producer, Anheuser-Busch, is the largest brewing company in the U.S., enjoying a 48.8% share of beer sales by volume in the U.S. market. In November 2008, Anheuser-Busch was acquired by InBev, a Brazilian-Belgian brewing company.

### 4.3.1 Brand History

Budweiser dates back to 1876, when the founder Anheuser Busch and his friend Carl Conrad, a liquor importer, developed a “Bohemian-style” lager, inspired after a trip to that region. In the German language, *budweiser* is an adjective and a German surname for something or someone from the city of Budweis, which was located in the Bohemian region of the Austrian Empire.

By 1957, as the result of significant growth, Anheuser Busch became the largest brewer in the U.S. Today Anheuser-Busch has a U.S. market share of 50.9% of the beer market—which is comprised primarily of Budweiser brands. With a core value of “genuine, abundant, inclusive, sociable, and high quality,” and a red/white/blue label, Budweiser represents familiar American attributes, and encourages a public perception of a strong leadership personality, which is communicated using simple and symbolic slogans such as “King of Beers” (Budweiser website).

### **4.3.2 Globalization**

In 1981, Anheuser Busch International was established as a special organization responsible for the company's foreign beer operations and equity investments. In addition to 12 breweries in the U.S., overseas the company operate 15 breweries—14 in China and one in the U.K. Budweiser is also locally brewed in eight other countries: Argentina, Canada, Ireland, Italy, Japan, Russia, South Korea, and Spain.

Edward P. Farley, Director of International Marketing for Budweiser, stated that the Budweiser brand “travels well” in global markets in terms of its image, value, and residual equity in the world. Not just for the brand image but also for its product delivery standpoint: its light, clean, refreshing taste connects very well with young consumers in many different countries.

Anheuser-Busch produces more than 40 beers including Budweiser, Bud Light, Michelob, and Natural Light. Anheuser-Busch is also known for its huge advertising presence, including a sports marketing division, which creates advertising material for the Super Bowl and numerous other sporting events. Their edgy, unique ad sense is internationally known; such as the frog, the chameleons, and the inept ferret hit man.

### **4.3.3 Strategies for Global Branding**

The core values of the Budweiser brand are “Genuine, fun, friendly, inclusive, sociable and high quality”. For Anheuser-Busch, the key to expanding their brands in a global market is resolving the issue of how to make the brand value relevant locally. The following points were made by Farley:

- Build an emotional connection by expressing the core values that are relevant locally.



- Communicate well, but remain original, and try to be innovative. Do only the things that Budweiser can do.
- Represent the features and qualities that make America attractive to others.

In order to achieve local relevance, Anheuser-Busch strives to create an appropriate image for each region, build a strong and committed workforce on the ground, develop the right plans for specifically chosen products that are distributed well. These factors are essential as success drivers when building a brand in any foreign market.

The following points are confirmed when meeting the local team in each country, specifically addressing core brand value:

- **Origin**: Budweiser is a classic American beer. Refreshingly different with a clean, crisp and drinkable taste
- **Quality**: Budweiser is a premium quality beer with natural ingredients and production process. It is an ingredient-driven beer.
- **Emotional value**: Budweiser is a global leader that fits well with anyone's leisure time, a concept that translates well into universal sports.

In my interview with Farley (2009), he said that when striving to deliver value in a diverse environment, the challenge is how to connect a huge, global brand with a broad local platform. The beer business is over 1,000 years old, and virtually every country has its own local brand, often a monopoly or duopoly. The situation is further complicated by the fact that beer is highly sensitive locally and driven locally because each consumer market has a different taste profile. The challenge is to realistically fulfill those local expectations. "We always need to market ourselves realistically but in a way that differentiates us from the local brand."

#### **4.3.4 The “Not-Created-Here” Syndrome**

The Budweiser brand is managed worldwide from its main headquarters located in St. Louis, Missouri. Therefore, the issue becomes determining how to make the brand relevant in each local market. The “Not-Created-Here” Syndrome refers additionally to a local manager who may not believe that a successful strategy, tactic, or creative idea/program from another country would work well in his country because his consumers/environment are "different" and "unique." The challenge is to get that local manager willing to find a way to modify the idea and still execute it or test it. Sharing best practices is fundamental to global brand marketing. When managing a brand from a geographical distance, many “dotted lines” exist when confronting local issues, and management must be very sensitive about these issues. Here motivated local managers are critical players who know the philosophy and activities that can blend global and local synergies.

#### **4.3.5 The Measurement System**

The measurement system for performance in each local market is very specific and evaluated by a local metric. Anheuser-Busch expects consistency based on their global positioning strategy and the brand’s core values. Performance is measured by how the local consumer resonates through the local metric that is established by their marketing activity. The goal from the local standpoint is to stay consistent in global brand positioning and value, and the goal for the central standpoint is to step back and see how the brand value is translated with consistency across the countries. Translation is needed in order to penetrate brand value; therefore each expression used to communicate the brand can be slightly different, as long as the end result works well for local consumers.

#### **4.3.6 Information Sharing**

Information sharing is critical to keeping global management united and to staying connected within local regions, thus avoiding miscommunication and duplication of activities. Anheuser-Busch uses an international web page that marketers worldwide can post live information and exchange ideas and events 24/7 among country managers. They can seek and share market similarities and apply promotional concept in their own area, while maintaining the consistency of the brand. The bond of universal experience sharing is essential to managing brand activity across borders.

# CHAPTER 5

## Managing Global Brands

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There are major benefits associated with owning a global brand. First, the economies of scale that are generated by successful global brands are vast and lead to pooled profit and further investment to nurture the brand. Second, the cultural challenges faced when distributing the brand in other markets is a source of inventiveness for creating new brand value. As a brand is exposed to a range of cultural needs, it tends to accelerate the brand's evolution which in turn increases brand equity. Third, learning the mechanisms of a new market can create new breakthroughs for innovation not only in products but also in terms of organization and operations management.

A number of companies successfully operate multiple brands across multiple countries. When managing their brands worldwide, a strong corporate credo and discipline are needed to structure the global brand portfolio and manage individual brands.

In this chapter, I will analyze two companies—Procter & Gamble and the Danone Group—both of which successfully operate their global brands across countries. After conducting in-depth interviews with management in both companies, I have identified key organizational factors that are crucial to helping these companies maintain their global competencies.

## **5.1 Procter & Gamble**

Procter & Gamble (P&G) is a global consumer goods company headquartered in Cincinnati, Ohio. It was founded in 1837 and from its inception, P&G has focused on creating an entrepreneurial and innovative organization, and this concept still drives the company's success. P&G's business model includes a local management approach in its worldwide markets, which is coupled with an over-arching global strategy. In 2008, P&G realized more than \$80 billion in sales, with 300+ brands in over 160 countries, and the company claims to be either the number one or number two brand in 80% of its product categories. It also has 23 "billion-dollar" brands, which represents its strength across multiple categories.

The underlying culture of "the customer is boss," coupled with a passion for innovation, is woven throughout the organization. In the 1930s, P&G was the first organization to introduce brand management, and it has sustained and succeeded primarily because of its ability to create strong brands, a flexible and adaptive organizational structure, and operational excellence. Brands are centrally controlled in Cincinnati by a global brand team with broad portfolio management control.

### **5.1.1 Organization**

P&G is renowned for its ability to create great products and successfully deliver them to various regions. The company has made its organizational culture a key strength, which has evolved over a long period of time, in order to manage their strong global brands most effectively and efficiently.

The P&G corporation is based on four pillars

- 1) Global Business Units (GBU),
- 2) Market Development Organizations (MDO),
- 3) Global Business Services (GBS) and
- 4) Corporate Functions (CF).

Each of these is discussed below.

1. Global Business Units (GBU)

The general role of the GBU is to create strong brand equities, robust strategies, and ongoing innovation in products and marketing with the goal of building major global brands. The philosophy of this unit is to “Think Globally.” For example, the Pantene (hair products) brand team builds on equity through: (a) product initiatives or upgrades, ideally launched simultaneously worldwide; (b) a marketing campaign that communicates the same fundamental benefits worldwide; and (c) manufacturing products in accordance with a global formula and packaging specifications.

2. Market Development Organizations (MDO)

The MDOs interface with customers to ensure that marketing plans fully capitalize on local understanding. They also seek synergies across programs to leverage corporate economies of scale, and they develop strong programs that favor P&G at point-of-purchase. The MDO philosophy is “Act Locally.”

There are seven MDO regions: North America; Asia/India/Australia; Northeast Asia; Greater China; Central-Eastern Europe/Middle East/Africa; Western Europe; and Latin America.

For example, each MDO team for Pantene ensures that the brand excels in their respective regions. Although overall brand equity is the same, there are differences among regions, such as: the U.S. might partner with the GBU to develop large-size packaging for club stores such as Sam's Club. Or the Latin American MDO might focus on developing the smallest possible package, like a sachet, for consumers in that region who want to minimize their immediate out-of-pocket costs.

### 3. Global Business Services (GBS)

The role of GBS is to provide services and solutions that enable P&G to operate efficiently around the world, collaborate effectively with business partners, and help employees become more productive. They handle accounting, employee benefits and payroll, order management, and product logistics and systems operations. The philosophy of GBS is "Enable P&G to win with customers and consumers."

There are three GBS service locations: the Americas, located in Costa Rica; GBS Asia, located in Manila; and GBS Europe/Middle East/Africa which is located in Newcastle, England.

### 4. Corporate Functions (CF)

The general role of corporate functions is to ensure that the functional capability, which is integrated into the rest of the company, remains at the cutting edge of the industry.

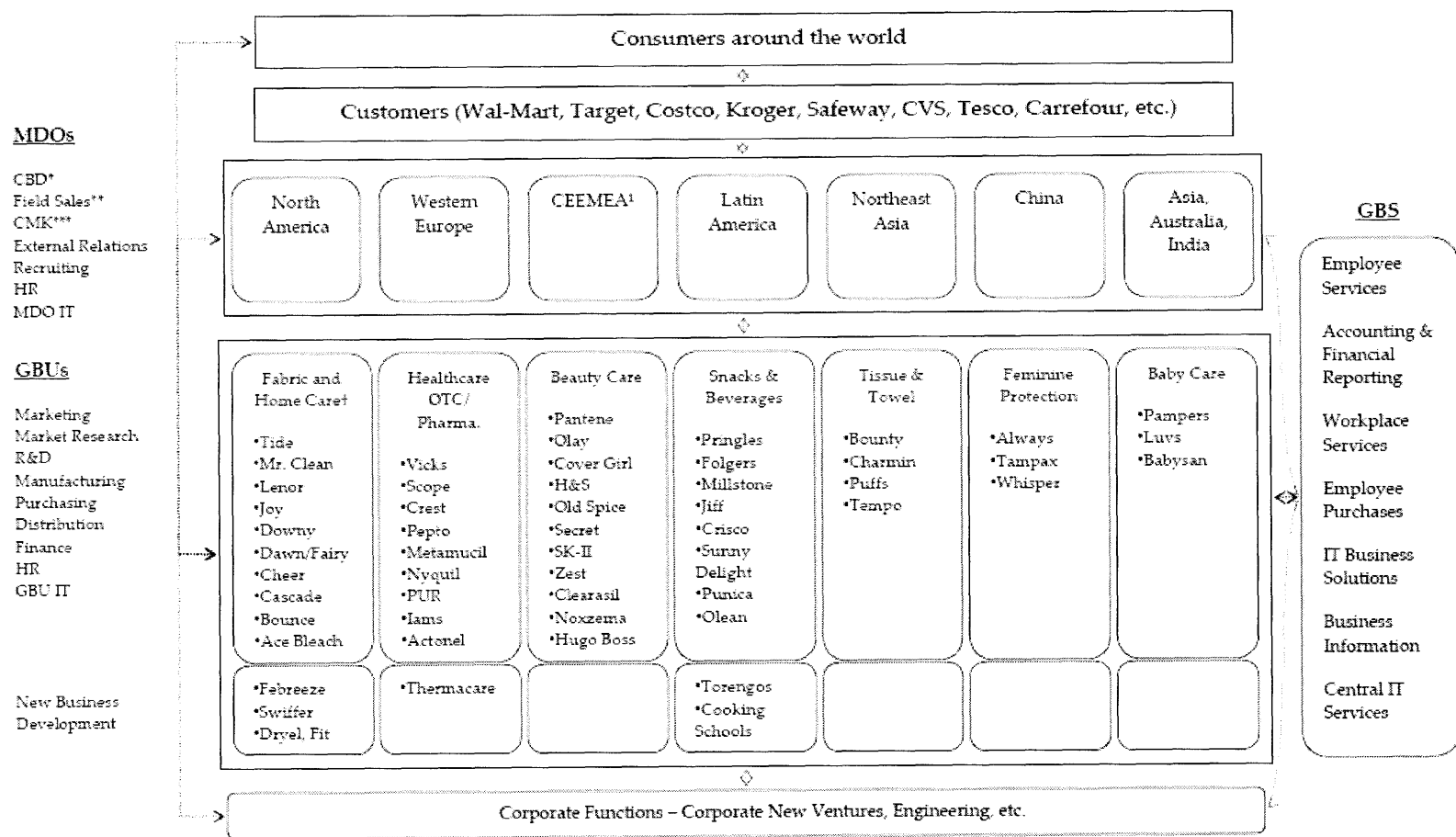
The CF philosophy is “Be the smartest and the best.” This unit manages customer business development, external relations, finance and accounting, human resources, information technology, legal, marketing, consumer and market knowledge, product supply, R&D, and workplace services. CF acts as a consulting support group, ready to provide service if called upon. Its services focus on ensuring that each function they deal with uses the latest innovations and/o methodologies.

The functions and relationships of the four P&G pillars is shown in Exhibit 5.1.



# Exhibit 5.1 Procter & Gamble Organization Structure 2005

Source: "Procter & Gamble: Organization 2005 (A)" HBS No.9-707-519, Ex. 5.



† Laundry Division is in Fabric and Home Care

\*CBD = customer business development (primary sales function)

\*\*Field Sales = local teams responsible for monitoring in-store execution, shelf presence, etc.

\*\*\*CMK = consumer market knowledge

<sup>1</sup>CEEMEA = Central Europe, Middle East, and Africa

Source: Adapted from Procter & Gamble organization charts, 1999

P&G also develops its personnel on a worldwide scale. The company has made its talent management processes part of its strategy for growth, which means a focus on winning in the emerging markets of China, India, Latin America, the Middle East, and Eastern Europe. The company is building what amounts to a global talent supply-chain management process, coordinated worldwide but executed locally. Hiring and promotions are the responsibility of local managers, but high-potential prospects and key stretch assignments are identified globally (Ready, 2007).

At P&G, people and positions are tracked in a technology-based talent management system that can accommodate all the company's 135,000+ employees. The system captures information about succession planning at the country, business category, and regional levels, which enables P&G to identify in-house talent. P&G uses a global talent review, a process by which every country, function, and business is assessed for its capacity to find, develop, deploy, engage, and retain skilled people in light of specific performance objectives.

Both P&G's organizational structure and talent development system are designed to maintain their global competencies, which enables them to manage global brands.

### **5.1.2 Marketing Strategies**

Using a highly scientific marketing approach, P&G's culture is to develop and maintain "proof-driven" criteria. According to Mauricio Bermudez, P&G global brand manager, when rolling out a brand, the key is to define minimum criteria across the region.

Aggregation and adaptation, based on strong organization, are the key factors to managing complicated brand issues. Bermudez outlined the following points for each factor.

### 5.1.1 **Aggregation**

- Monitor brand equity, then consistently benchmark and update the status of the brand.
  - Differentiation: be clear where brand stands vis-à-vis its competitors.
  - Exploit evolution: continually monitor the consumer's evolving perceptions of the company's brands.
  - Develop new equity: based on those evolving perception, develop new values when needed.
- Exploit every potential opportunity in the region
  - Identify underlying needs and similarities across the region in order to optimize customization
- Define the country cluster
  - Find commonalities and identify market dynamics, then select those that maximize the brand's global appeal.

P&G emphasizes aggregating customers' needs in a global scope. Brand equity is carefully sought as a global asset, maintained with underlying standardization.

### 5.1.2 **Adaptation**

Adaptation is essential to globalizing a P&G brand. P&G makes a detailed list of every single element in every brand in order to decide which factor should be kept or be adapted locally. Sometimes there are tradeoffs between adapting and globalizing, and there is some concern that the company needs to minimize these tradeoffs. It is important to identify the big ideas that present global appeal. P&G also pursues scale efficiencies in expanding the product to the world. Packaging, formulas, and advertising elements that are

deemed to be locally acceptable are unified to generate economies of scale in the global market.

The flip side of globalizing a brand is the risk of possible damage to that brand's perception if it becomes less successful in some regions. P&G makes each launch decision under the highest criteria in order to avoid such risk. Every single marketing element is qualified to minimize the risk of failure, and approximately 90% of the elements have been quantitatively proven before proceeding along the guide path (Bermudez, 2009). This transparent qualification process, which is followed for any market into which they launch a product, is a key reason why P&G consistently generates successful global brands.

## **5.2 Danone Group**

The Danone Group is the food industry's world leader in fresh dairy products, bottled water, baby nutrition, and medical nutrition. The core component of their corporate strategy is health and nutrition. In 2007, the company earned €12.776 billion (US\$16.85 billion) in sales. Danone is the world leader in fresh dairy products, number two in bottled waters, number two worldwide and number one in Europe in baby nutrition, and number three worldwide in medical nutrition.

The company's performance is the result of a balanced strategy that builds on international expansion, a growing commitment to innovation and strengthening its health-oriented brands. The company has more than 100,000 employees, and markets its food products in 120 countries worldwide (Danone Group website 2009a). All of its projects currently in the pipeline focus on health and nutrition.

Danone sold its biscuits business line to Kraft in 2007 because the biscuit business was considered well below the company's core value of "food for health." The disciplined focus on its corporate mission operates globally and is also embedded locally.

Danone's main brands are:

- Fresh Dairy Products: Danone (Danone in the US), Actimel, Activia, Danonino, Vitalinea, Danacol
- Water: Evian, Volvic, Aqua, Bonafont
- Baby Nutrition: Blédina, Gallia, Nutricia, Cow & Gate, Milupa, Mellin, Dumex
- Medical Nutrition: Nutricia, Nutrini, Nutrison, Fortimel, FortiCare, Fortisip

Major brands that are internationally managed are Activia, Evian, and Volvic. Evian and Volvic are well-known global mineral water brands, known for their consistent product and brand that originates in a single place. The water is sold globally, but because of its sole production location which bottles the water at its source, there is no adaptation in design, packaging, and of course, taste. Activia is a yogurt brand that has been launched in 25 countries in a campaign of careful and flexible local adaptation.

According to Richard Hall, President of Danone Waters Japan, there are four critical points on which the Danone Group focuses when deciding to globalize a brand.

1. The brand conveys Danone's mission

The company's mission is to "provide food for health and nutrition." Thus, each brand is strategically chosen for its ability to convey this mission, and those brands are globalized. For example, based on Danone's unique technology, which preserves the

bifidobacteria alive in the human intestine for long periods, Activia was identified as a brand that could be rolled out globally.

## 2. Utilizing decentralization to become “glocal”

Decentralization is a consideration when rolling out a product in multiple countries. Products are developed in a global lab but tested in three countries before it is rolled out to the world. It is left to local management to decide whether they will launch the product or implement a promotion campaign in their region, taking into consideration the experimental tests in key areas. Local management is responsible for and has the freedom to make this business decision. For example, the worldwide Volvic campaign, “1L for 10L” (WorldVision, 2009) program<sup>3</sup> spread from country to country based on the decision of each local management team. The campaign was implemented through a network of “sharing the best practice in the world.” This avoids the “not-created-here” syndrome that could arise among local managers, but instead encourages them to act global but local, or as Danone puts it: “glocal.”

## 3. Flexibility and adaptation

The depth of local adaptation varies depending on the brand. However, brand color and symbol are the core equity of the brand which is kept consistent across the world. Tastes are adapted based on local custom, as well as packaging, size, and price.

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<sup>3</sup> In March 2008, Volvic launched “1L-for-10L”, in partnership with the international relief and development agency World Vision. For every liter of Volvic Plain or Volvic Touch of Fruit purchased in the UK, Volvic and World Vision will provide ten liters of clean drinking water through their well-creation program in six African countries, thus helping to improve the quality of life for entire communities.

In the U.S. market, the Danone product lineup is limited to plain and flavored semi-solid yogurts, available in standard and light variations. Packaging options include a 24 oz. package that is not available in European markets (Danone Group. Activia). In the British market, the product lineup is wider. It includes the same semi-solid yogurts, but with more flavors including mango, fig, and rhubarb. In England, the “Light” series is replaced with “Fat free”(Danone Activia UK website). In the Brazilian market, yogurt and yogurt drinks are available. In addition to common flavors found worldwide, Brazil enjoys some unique ones, such as honey with carrot. In the Russia, the product line includes yogurts, yogurt drinks, and kefir, a traditional Russian drink. In Japan, Activia is known as “Bio”, owing to patent issues, but the fundamental design and brand symbol remain the same. Packaging design and flavors differ between markets just as products themselves (see Exhibit 5.2).



**Exhibit 5.2 Local adaptations of the Activia brand in various countries**

Source: Danone Group website 2009b/ Danone Japan website 2009, adapted by author

4. Commonalities: segmented by region

Danone Group manage its global brands not by country but by segmenting the region based on common market conditions. As a result of each survey, a region is defined by its consumers' response to food type, eating habits, culture, and economic status. Danone's distribution system and organization structure is also key to aggregating each area as one separate region.



# CHAPTER 6

## Summary and Conclusion

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The central focus of this thesis is whether being recognized as a global brand affords that brand and its associated company with added benefits, rather than focusing on a geographic niche. My research leads me to conclude that becoming a global brand appears to be highly attractive, as such a brand presents a perception of excellence and success. Firms can take advantage of scale economies with a global brand, but the firm also needs to differentiate itself from local brands in order to succeed. Being a global brand is not without its challenges, some of which are difficult to anticipate or resolve. This is especially true if the company has a set of core values that it is determined to maintain, as it may be problematic to achieve a strong presence in all markets and still maintain the single set of core values.

In today's world without borders, it can be said that the market itself forces companies to go global despite their intentions. The brand value can be shared across geographies and cultures, and an awareness of the brand itself begins to travel. Just as easily, negative news about a brand travels very quickly across borders. So it is clear that simply possessing a global brand is not enough; it requires managing the brand, and fulfilling customer expectations. These tasks are critical.

Through my comparative studies, many of the global brands took specific steps to strengthen their brand equity to increase its global awareness. From my case studies, the criteria that defines which brands to expand into the global market are very clear.

For firms, the decision to take a brand global is driven by fundamental factors, such as:

- size and attractiveness of the new market
- ability to achieve economies of scale
- likelihood that the brand can substitute for local products and competitors
- commonality among customers' needs.

Similarly, the risks involved in taking a brand global also must be weighed carefully before expanding, or the brand could be irrevocably damaged. The firm must be sure that it has the culture, organization, and processes that will enable it to develop a truly global brand, including a business strategy for globalizing and preliminary research that supports the strategy.

For Kirin to develop strong new global brands, factors such as culture, organization, and systems must be examined and strategies developed. Kirin's expertise lies in the beer business. When considering expanding into global markets, other Kirin businesses such as soft drinks may have a better chance of applying well-established knowledge links, which I explored as a diversification strategy in Chapter 2.

Several conclusions emerged from this study, which I discuss in the following sections.

## **6.1 CRITICAL FACTORS FOR GLOBAL BRANDS**

Through my research and interviews, I identified several factors— common among successful brands and firms—that are crucial to ensuring the success of global brands.

### **6.1.1 Consistency**

Successful global brands achieve a high degree of consistency in concept, visual design, communication, and identity across geographies. They deliver a consistent customer experience worldwide, supported by an integrated, global marketing effort.

As I explained in Chapter 2, consistency over time and across geographic borders helps to assure customers that they will avoid risk because they can choose a brand with which they are familiar. This also reinforces brand credibility. For more than a century Coca-Cola had retained its logo (see Exhibit 6.1a) and its basic red and white design (see Exhibit 6.1b). Similarly, Heineken has also used its original recipe invented three generations ago by the Heineken family. Every brand owner has a responsibility to uphold the brand's promise, which is a kind of contract between the consumers and the brand owner. Consumers perceive it as a betrayal if that brand promise, which had been built upon trust over a long time period, is changed without warning or advance notice. As the market evolves, brand owner must be careful to treat their brand(s) as a fragile treasure.


 The logo features the words "Coca-Cola" in a cursive script. The letters "Trade mark" are written in a smaller font within the tail of the "C" in "Coca".

1887-1890s – The words "Trade mark" are written in the tail of the "C" in Coca.


 The logo features the words "Coca-Cola" in a cursive script. The letters "Trade mark" are written in a smaller font within the tail of the "C" in "Coca".

1890-1891 – This version of the script showed the greatest departure from Robinson's original.


 The logo features the words "Coca-Cola" in a cursive script. The letters "Trade mark" are written in a smaller font within the tail of the "C" in "Coca".

1893-1901 – The words "Trade mark" are again written in the tail of the "C" in Coca.


 The logo features the words "Coca-Cola" in a cursive script. The letters "Trade mark Registered" are written in a smaller font within the tail of the "C" in "Coca".

1903-1931 – The words "Trade mark Registered" are written in the tail of the "C" in Coca.


 The logo features the words "Coca-Cola" in a cursive script. The letters "Trade mark Registered" are written in a smaller font within the tail of the "C" in "Coca".

1930-1941 – The words "Trade mark Registered" appear in the tail of the "C" in Coca.


 The logo features the words "Coca-Cola" in a cursive script. The letters "Trade mark Registered" are written in a smaller font within the tail of the "C" in "Coca".

1941-1960s – In this version, the words "Trademark Registered" moved out of the tail of the "C" and were noted as "Reg. US Pat Off." below the Coca-Cola name.

### Exhibit 6.1a. Evolution of the Coke logo

Source: The Coca-Cola Company website(a), adapted by author



1958-1960s – This period saw the introduction of the Arciform or "fishtail" logo.



1969 – The Arden Square with the Dynamic Ribbon Device (commonly called the "wave") was introduced.



1980s – We see a modified Dynamic Ribbon Device with the ribbon integrated within the "Coca-Cola" name. Note the missing lower loop in the "l" of Cola. It was only missing in the treatment with the Dynamic Ribbon. When the trademark stood alone, the loop was present.



2003 – With the introduction of the "Coca-Cola... Real" campaign, the Dynamic Ribbon Device was enhanced in the logo.



2007 – A simple, yet bold, design with a single white ribbon

### **Exhibit 6.1b. Evolution of the Coke symbol**

Source: The Coca-Cola Company website(a) , adapted by author

### **6.1.2 Adaptability**

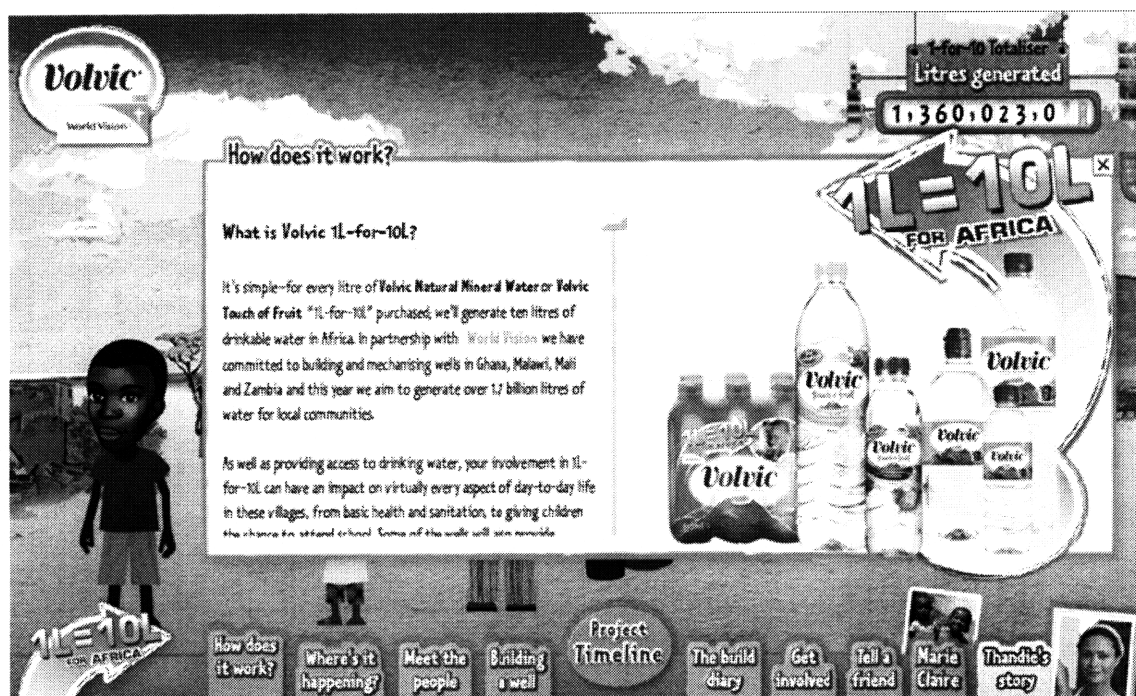
Successful global brands respect local needs, wants, and tastes. Differences evolve in regions, cultures, behaviors, and generations over time. Analyzing these differences and then adapting to the differences is essential to developing global brands. Also, adaptability is needed to maintain consistency of the brand. For example, if there are local restrictions on materials and handling, the firm may need to make adjustments in order to maintain standardized product quality. Adaptability also brings benefits of scale when firms can efficiently utilize local assets such as production systems. These elements of fine-tuning to adapt to the local marketplace, while fulfilling the firm's global mission, is crucial for local success.

My research found that successful firms have adapted with flexibility into local markets while maintaining consistency and product standards. Danone's yogurt brand Activia has found ways to be highly flexible in meeting local needs and adapting to difference in tastes and consumer habits in a wide range of countries while retaining Danone's brand symbol and packaging. In some cases, such as in Japan, Danone developed a new brand name while successfully conveying the original brand name's value.

### **6.1.3 Emotion and Resonance**

A brand is not a brand unless it conveys an emotional dimension. It symbolizes a promise that people believe in and wish to be part of. This emotional connection enables brands to gain the loyalty of consumers by tapping into their values and aspirations, many of which cut across cultural differences.

Emotion has various components, including experience, expression, and physiological responses that are closely linked together. Positive emotions will lead to resonance with the brand, which bonds the consumer to the brand. Coca Cola's campaign using a globally designed can signals that Coca-Cola is recognized and valued across the world and its purchase and use elicit feelings of being a "global citizen." Volvic's worldwide campaign of "1L for 10L"<sup>4</sup> (see Exhibit 6.2) was introduced by Danone Group in several countries. The campaign invoked considerable resonance with the brand. Beginning in Germany in partnership with UNICEF, it extended to France, Japan, and the U.S. This marketing campaign was designed under Danone's concept of corporate social responsibility. The campaign helped the company defuse critics of bottled water's high carbon footprint.



### Exhibit 6.2 Volvic 1-for 10L Campaign

Source: Danone Group website, adapted by author

<sup>4</sup> For each liter of mineral water sold, Volvic provides 10 liters of drinking water to villages in Ethiopia. This groundbreaking project appealed to environmentally sensitive German consumers. Between June and August 2005, 25 wells were built in Ethiopia which now supply 900 million liters to villages previously without drinking water.

#### **6.1.4 Recognition**

High recognition already established in the home (or base) country will allow a brand to achieve awareness in global markets, which helped to more rapidly establish credibility in new markets based on an established reputation. Successful global brands enjoy strong awareness among consumers and opinion leaders. They lead their industry because of their recognized stature, which in turn increases consumption. The origins of a brand need to be clearly recognized so its value will travel easily.

There may be a temptation to build a global brand from scratch, but this is problematic. Unilever successfully expanded its hair care brand “Clear,” launched from Asia, where they had been building a base for 30 years. Formulated at research centers in Shanghai and Bangkok in 1972, it was introduced in four markets: India, Thailand, Vietnam, and Indonesia. “Clear” was marketed largely to Southeast Asia for more than three decades until Unilever decided to harness the brand as a potential global rival to Head & Shoulders. Having built its recognition base in Southeast Asia, the brand expanded to seven markets (China, Korea, Brazil, Arab, Philippines, Pakistan and Iran) in just six months in 2007 with sales of \$367 million.

#### **6.1.5 Differentiation and Unique Identity**

Differentiation and unique identity are important factors that enable a brand to stand out in the competitive global market. Great brands have unique ideas and functions, and an identity that other players cannot imitate or substitute. Such brands express their unique position to all audiences, internal and external. They effectively utilize all elements in a marketing mix that achieves a unique position within and across international markets.



Originality, technology innovations, and edgy characteristics support their competitive position. If done well, this differentiation creates a monopoly in the consumer's mind. Apple is a good example, having tangibly and emotionally embedded their products' uniqueness into their consumers' hearts, emotions, habits, and behaviors.

## **6.2 CRITICAL FACTORS IN MANAGING BRANDS GLOBALLY**

Successful global brands operate under ongoing organizational management. A leader's continual articulation of the brand philosophy strengthens its global recognition.

### **6.2.1 Global Management Team**

Global brands require a management team specifically trained in regional and international functions in order to maintain a brand's leadership and evolution. These management teams develop and implement processes to create, review, and improve brand performance. This also requires a brand management council that includes business partners and agency partners.

The commitment of an organization's senior leadership is crucial, ideally with the CEO leading the initiative. This commitment helps the corporate culture to draw a bigger picture, and to put the brand at the heart of everything, supported with a long-term vision. It is risky to set only a short-term vision that is unsupported by sufficient analysis and experimentation, or to attempt to achieve results hastily. My study of P&G and Unilever found that both companies have worked hard to form globally efficient organizations. The talents they maintain are a huge resource for the future, allowing them to leap further and achieve outstanding performance.

### **6.2.2 Local Intelligence**

The importance of adaptation was discussed earlier in this chapter. On one hand, consistency is its core value, but on the other hand brands also need to be dynamic in order to survive in today's diverse and rapidly changing world. Beyond merely learning discrete facts about foreign local cultures, successful adaptation requires a company to make use of open-ended opportunities to develop well-developed knowledge about diverse cultures. People vary in their ability to act appropriately and effectively in new contexts or among people with unfamiliar background. Although training and experience may help, greater success is achieved by hiring people who are predisposed to mastering such situations, and then integrating their expertise.

Since adaptation to local markets is key to success, feedback from local management helps the brand evolve and maintain its relevance and applicability. Real consumption takes place in local markets, so integrating local intelligence will ensure local relevance and help to counter a competitor's next move. Local learning can also be shared across countries. The integration of rich local intelligence enhances recognition of possibilities for future brand penetration.

### **6.2.3 Accumulated Learning**

It is not easy to cultivate global brands in a short period of time. Future success requires considerable learning from past experimentation—and errors. Lessons learned from previous experience are important assets for any firm, which should capitalize on these intangible assets and use the learning to mitigate the risk of failure. Sometimes firms blame

specific people who have not been successful in the short term, when in fact it may be the organizational system that is to blame.

My research found that P&G has continually pursued the best way to manage global brands. P&G has a unique talent management system that evaluates the success rates of its key employees using quantitative and qualitative measures that cover a three-year period. When failure occurs, P&G conducts a “lessons learned” review. This system allows people to work within a long-term vision, and to pursue their goal which is critical to tackling a challenging issue and nurturing global brands.

Coca-Cola continually seeks to standardize and localize in order to manage its brand over many decades. Lessons learned in the past have great implications and deep value for steps that will be taken in the future.

#### **6.2.4 Consistent Investment**

Because global brands are highly valued as intangible assets for the firm, these assets require capital investment, just like other assets, in order to maintain or increase their value. Progressive companies recognize the need for appropriate R&D investment. There is no shortcut to cultivating a worldwide brand without expense. The currently severe worldwide economic conditions may pressure companies to reduce expenses, which may seem to be a sensible approach in the short term. Indeed, the impact of cutting or fluctuating the budget will not appear in a brand immediately, but those cuts will affect the brand in the long term.

Firms may not be able to enjoy the fruits of previous investments, or they may have to cultivate a brand from zero to success. This is strongly related to the firm’s long-term

vision for the brand, and to the commitment of the executives in the organization. Consistent investment is important in order to maintain a brand's image at a high level.

Investment does not mean just advertising and marketing expenses, but also includes human resources, time, and R&D effort that may not be translated into a specific amount.

#### **6.2.5 Measurement System**

To sustain a brand and determine the appropriate investment to allocate, there must be consistent and widespread measurement of brand equity. This not only helps the brand's development and measures its performance but also provides the means to monitor its consistency worldwide. Such measurement should include top-of-mind awareness, preference, loyalty, brand image attributes, and perception of product performance in order to correctly evaluate the brand's financial contribution to the firm.

P&G has a standardized measurement method that is always implemented whenever the firm explores a new product and/or communication in the market. Using accumulated data from this standardized measurement system, P&G is able to analyze a brand's success rate and estimate its sales volume, and also apply the brand strategy to other related regions. This measurement system is also applied to monitor the consistency of its brand equity around the world. It enable P&G to determine if a brand has penetrated both globally and locally.

In order to implement this measurement system, the organization may need a team that focuses on monitoring and managing the global data.

Kirin Group has a set of strong competencies in manufacturing, sales, and marketing in Japanese domestic market. However, facing the rapid market changes across countries, and also its own organization expansion led by mergers and acquisitions, it has become an urgent issue for Kirin to define and build its core values on its strong product brand, which will provide strong value in today's global market. It is easy to agree that possessing a strong global brand is important, but there is no shortcut in the process of building a strong brand. Kazuyasu Kato, the CEO of Kirin Holdings established the firm's 100-year vision—to provide enjoyment of food and health for every global customer—based on the company's past 100-year history. Now the critical challenge is how Kirin will provide value for all of its worldwide customers who seek the company's excellent products, and then take action to nurture its brands globally.

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